

1-1956

Farm Outlook for 1956

Iowa Farm Science Editorial Board

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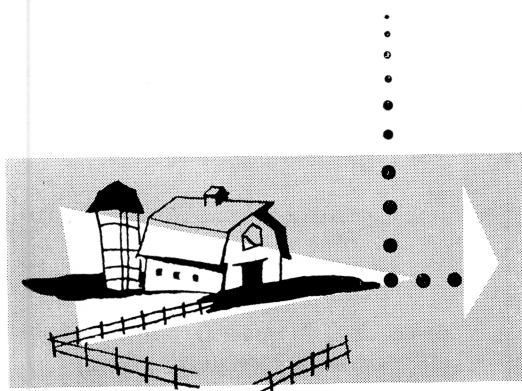
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Farm Outlook for 1956

The current level of business activity indicates a relatively strong demand for farm products through most of 1956. But things could shift during the year, with some weakening in farm-product demand late in 1956.

OUR NATIONAL economy now is operating at close to capacity—after a rise of 9 percent in activity during the past year.

Business Activity

Let's see where we are right now and how we got there. Note in table 1 that total business activity rose by a rate of 8 billion dollars a quarter. That's over twice the normal growth of our economy which stems from an expanding labor force and rising output per man-hour.

Credit expansion supported the rise—financing a full third of the boost in consumer and business outlays. In fact, it supported practically all of the rise in consumer durable goods. In addition, mortgage debt has gone up at a 16-billion-dollar-yearly rate, compared with a 12-billion-dollar rate in 1954. Further liberalization of credit terms to consumers isn't likely in 1956, though recent mortgage restrictions may be eased if building falls off much.

All kinds of consumer spending were up—but durables (cars, refrigerators, etc.) were up most. Consumer spending is expected to rise further in 1956—but not as much as in 1955. Higher consumer incomes, expected tax cuts and continued willingness of consumers to spend are the reasons. Further rise in business investment in new plant and equipment

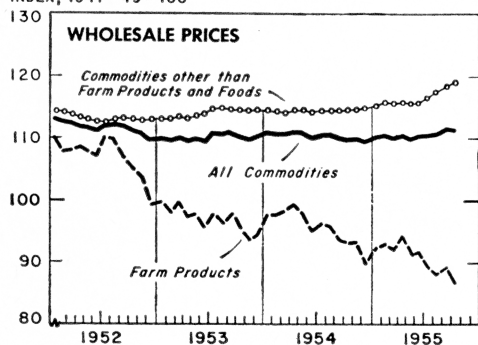
also is expected. But note that there has been no real inflationary effects on prices—even in this boom. We seem to have ample capacity.

Some rise in inventories also is likely. The ratio of inventories to sales still was fairly low in late 1955. But if the buildup continues, businessmen may change their inventory policies. This isn't

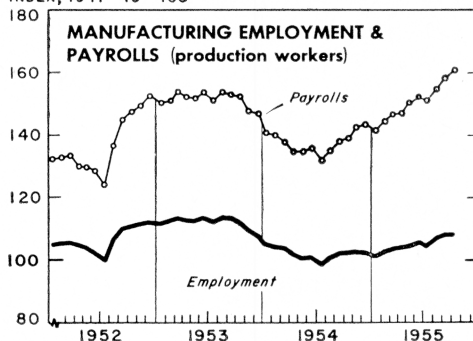
TABLE 1. The General Business Situation, 1954-55.

| | Third Quarter 1954 | Third Quarter 1955 | Net Change |
|---|--------------------------|--------------------------|---------------|
| (Annual rates in <i>billions</i> of dollars) | | | |
| Gross National Product | \$359 | \$392 | +\$33 |
| Consumer spending | 238 | 256 | + 18 |
| Durables | 29 | 37 | + 8 |
| Nondurables | 122 | 127 | + 5 |
| Services | 87 | 92 | + 5 |
| Business investment in new plant and equipment | 35 | 40 | + 5 |
| Net change, business inventories | -5 | +4 | + 9 |
| Housing | 14 | 16 | + 2 |
| Government | 76 | 75 | - 1 |

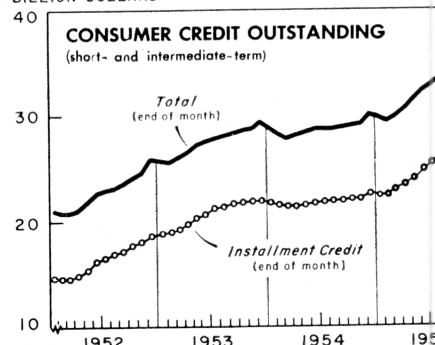
INDEX, 1947-49 = 100



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BILLION DOLLARS



likely to happen before spring or early summer of 1956. When it does come, however, it could mark the beginning of a turnaround in the present business boom. The government part of the economy has remained about steady, in contrast with the 1954 downturn. State and local spending has about offset reduced defense spending.

Thus, the current high level of economic activity is likely to continue through most of 1956. This indicates a strong demand for farm products. But if the buildup in inventories continues, we may see a turnaround in inventory policies by mid-1956—and some weakening in demand for farm products as 1956 draws to a close.

Farm Prices

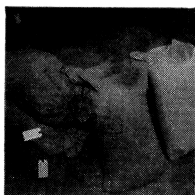
Farm prices are down about 25 percent from the levels of early 1951, and farm income is down 30 percent. This decline in farm income and prices has continued during the past year despite the boom in general business.

The reason: Farm output has risen rapidly. During the last 15 years, total farm output has increased an average of more than 2 percent per year while total population averaged an increase of less than 2 percent yearly.

Farming was geared up to meet the wartime demand—both domestic and foreign. Then, when the war was over and our wheat and cotton exports dropped back to peacetime levels, we were left with excess capacity. Since 1953 we've shifted about 29 million acres out of wheat and cotton. Most of this has gone into feed grains. And that has increased our feed supply. This in turn pulled feed prices down and

brought forth more livestock production. Finally came the drop in livestock prices.

Farm returns are expected to show a further decline in 1956. Marketings likely will rise another 2 percent or so. This increase in production will depress prices relatively more than the increase in quantity bought by consumers. With costs remaining about the same, this means on the whole that cost-price relationships in agriculture will be a little less favorable in 1956.



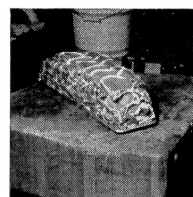
Feeds

The combined production and carryover of all concentrate feeds is the highest on record. This means relatively cheap feed in 1956 on a national basis. Parts of Iowa where the drouth was severe will have locally high feed prices compared with the Chicago

price. But in general, feed will be cheaper than last year.

Protein feed supplies will be abundant and slightly lower in price. Prices for soybeans are expected to average moderately above the loan level of \$2.04.

The abundance of oats, barley and grain sorghums which are supported at only 60 percent of parity, plus expected sale of "out-of-condition" corn by the CCC will put a brake on any major rise in corn prices. These support prices make these feeds equal in value to corn if it were priced about \$1.15 per bushel.



Meat

Meat production will continue large in 1956. There'll be more pork and about as much beef. In pounds per person, the meat picture stacks up as shown in table 2.

TABLE 2. Meat Consumption in Pounds per Person in Years Shown, 1947-56.

| | 1947-9 | 1952 | 1953 | 1954 | 1955 | 1956* |
|-----------------------|--------|------|------|------|------|-------|
| Beef | 65 | 62 | 77 | 79 | 81 | 80 |
| Veal | 10 | 7 | 10 | 10 | 10 | 10 |
| Pork | 67 | 72 | 63 | 60 | 66 | 68 |
| Lamb and Mutton | 5 | 4 | 4.6 | 4.5 | 4.5 | 4.5 |
| TOTAL | 147 | 145 | 155 | 153 | 161 | 162 |
| Chicken | 18.5 | 23.1 | 22.6 | 23.8 | 22.7 | 23.7 |
| Turkey | 3.2 | 4.5 | 4.5 | 4.9 | 4.5 | ? |

*Estimated.

This year's supply of meat per person is largest since the early 1900's and third largest on record. Note that we had more pork in 1952—but far less beef.

Consumption of poultry meat has risen steadily in recent years as commercial output of broilers and turkeys has expanded. The average consumer ate about 22.7 pounds of chicken and 4.5 pounds of turkey in 1955. Early indications are that the supply of both chicken and turkey will be larger in 1956.



Hogs

Expansion in hog numbers in the United States began with the 1954 spring pig crop. It now has been going on for about 2 years. The June USDA pig survey indicated that farmers were continuing this increase last fall (about a 10-percent boost in the 1955 fall pig crop was planned).

If farmers follow through on their intentions, we'll raise a crop of about 101 million head in 1955—9 percent more than in 1954 and 11 percent over the 1944-53 average.

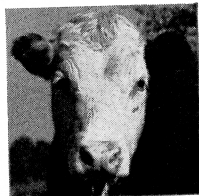
Last year farmers held back hogs during October and early November. This pushed more hogs into the December-January-February period. In 1955, farmers marketed their hogs on schedule—which meant a substantial boost in marketings in October and early November over corresponding 1954 sales. But it won't mean as much accumulation of hogs into the winter period.

Even so, hogs are expected to average lower during the first half of the year than in 1955. But the market is unlikely to trend downward all winter, as it did a year earlier.

Iowa spring farrowings in 1956 probably won't show any increase over 1955 farrowings. They could be a little smaller because of the short 1955 corn crop in many areas. But favorable crops and low feed prices in the eastern

Corn Belt and in the South are likely to bring a somewhat larger pig crop in those areas.

Thus, the outlook is for the hog-corn price ratio to continue below average during the coming year. Best returns probably will be on early-farrowed pigs, as they were in 1955.



Cattle

The number of cattle on farms and the number on feed Jan. 1, 1956, probably will be about the same as a year ago. No great change in the average price of fed cattle is expected in 1956. Demand for meat will be up a bit, but there'll be more pork.

Price margins between feeder and fat cattle again will be small. Low feed costs will be the key to cattle feeding profits in 1956. Feed prices have dropped enough to give a chance to put gains on for less than the selling price of the better grade cattle. This puts light cattle in a more favorable position.

Profits from cattle feeding in 1955 were low. But large feed supplies and lower feed prices have stimulated interest in cattle feeding. More feed in the southern Corn Belt means more feeding of native cattle in that section. We should wind up feeding as many as in 1955, but the seasonal distribution may be different.

Beef cattle numbers have increased every year since 1948. Normally, we'd expect numbers to start the downward trend in the cattle cycle at this time.

But there's no evidence that we've begun liquidating numbers as yet. Some increased slaughter of cows has been reported. But the cows have been mostly of the cull type. Considering the age of cow herds, replacements are due with younger animals. Meanwhile, fewer calves have been killed than in 1954.

Since numbers aren't expected to change greatly, returns from cattle raising the next year or two

aren't likely to be much different from those of the past year.

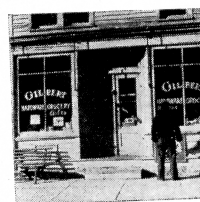


Sheep and Lambs

The outlook for sheep and lambs is relatively favorable. Sheep numbers are down sharply from the peak set in 1942. Cattle numbers on Jan. 1, 1955, were 40 percent larger than they were in 1940—sheep numbers were 42 percent lower.

Wool will continue to be supported in 1956 at a yearly national average price to farmers of 62 cents per pound. The program will be the same as in 1955. This puts a premium on doing a good job of marketing your wool.

Lamb feeding for the winter season of 1956 looks favorable, too. Wheat pastures haven't panned out. The western lamb crop was 3 percent smaller in 1955. More of these lambs carried slaughter flesh and were killed than a year ago. Most of the feeder lambs went on feed early. Supplies of fed lambs aren't likely to be excessive this winter.



Costs

Price tags of machinery, fencing and steel building materials will be higher than 1955 average prices. Feed and seed prices will be somewhat lower. Fertilizer prices will be about the same. Wise shopping to find good values in things needed may result in savings. Local taxes and wage rates will be higher in some communities. Costs of roads and schools are rising. The current labor market is tight in the cities; this in turn affects the farm labor situation.

Most goods used in household living will be steady or up slightly.

With consumer purchasing power slightly above 1955 levels, demand is expected to remain strong for consumer goods. Higher production costs probably will bring small boosts in price tags for many items. With supplies in better shape than last winter, dealers aren't likely to offer as much discount from list prices as in the first half of 1955—at least through the first half of 1956. If inventories are getting troublesome by late 1956, we may see more sales then.



Dairy

The dairy outlook for 1956 is about the same as for 1955. Farm prices of dairy products will continue near support levels. Present dairy price supports of 80 percent of parity last until April 1956. Supports for the next year after that must be set between 75 and 90 percent of parity.

Demand for dairy products will be a little stronger in 1956. But production is likely to be up a little, too. So dairy supplies won't be brought into balance with de-

mand at prices prevailing in 1956. Supports will continue to pull some dairy products off the market and into government hands during the coming year.

Profits from dairying relative to crops, hogs and beef will be better in 1956, however. While dairying remains about steady, profits from these other major enterprises will be lower in most cases. This may cause some increase in dairy cow numbers. Demand for dairy cattle should be relatively good.



Poultry and Eggs

There'll be more money in producing eggs this winter than a year ago. The poor egg market last spring caused farmers to cut back on the number of farm chicks raised in 1955. We have fewer pullets this winter than a year ago. We've saved more old hens, but they're not likely to fully offset the effects of the fewer pullets. So 1956 winter and spring egg prices likely will be substantially higher than a year earlier.

Meanwhile, feed costs will be

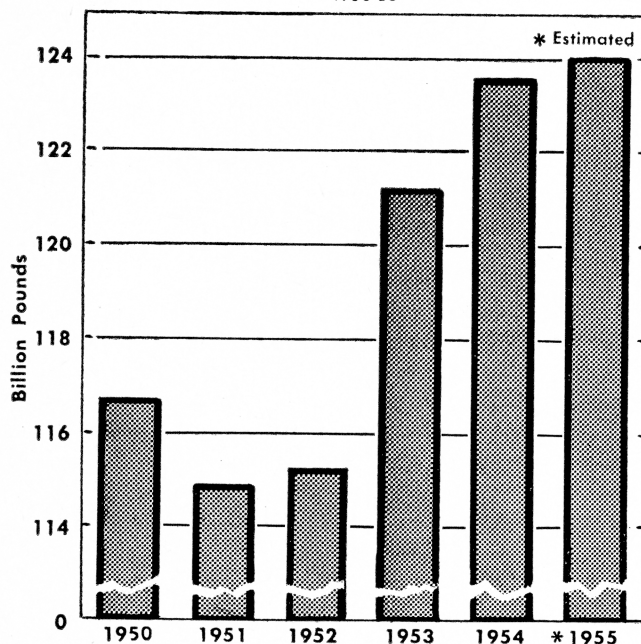
lower. The result: improved egg-feed ratios. This should encourage farmers to buy more chicks this coming winter and spring. The premium will be on early hatched chicks. They will get into production earlier—before the main bunch of spring pullets come into production next fall. If the total boost in pullets hatched in 1956 is substantial, we'll be back into the same old price and profit difficulties by late 1956 and early 1957.

Broiler production climbed in 1955—continuing its expansion of recent years. Rising consumer demand and a smaller farm production of chickens made the year a profitable one as a whole, however. If farmers raise more chicks in 1956, and broiler producers continue their expansion, profits during the last half of 1956 may not be good.

Turkey returns were favorable in 1955—especially on the early hatched poult. This has resulted in early intentions to keep more breeder hens back to produce 1956 hatching eggs. The better 1955 turkey profits were mainly the result of the 4-percent cut in turkey production. If any sharp boost is made in our 1956 turkey poult hatch, the stage will be set for an unsatisfactory turkey season in 1956.

U. S. Annual Milk Production

1950-55



Hens and Pullets on U. S. Farms

NOV. 1, 1953-55

